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reform could be completed.

Hunan Province, rich in agricultural products, is also rich in mining and industry. Twenty-one industries and mines owned by the provincial government and 281 privately owned factories and mines were "rehabilitated" after a period of inoperation during the southward march of the Communist army.[15] In Hunan, Tungting Lake was utilized to prevent floods and to aid in irrigation.

Kiangsi Province lies along the southern bank of the Yangtze River, east of Hupeh. Ch'en Cheng-jen, secretary of the Kiangsi branch of the Communist Party, reported in August 1950 that, in 83.6 per cent of the hsiang in Kiangsi, 113,860 peasants' associations were formed,[16] and that the membership had reached 1,300,000.

There are 99 counties and three municipal-

13. Wang Shou-tao, "Hu-nan-sheng Jen-min Cheng-fu Kung-tso Pao-kao" ["Report on the Administration of the Hunan People's Government], Ibid., p. 891.

14. Chin Ming, "Wei Cheng-chü Sheng-li Shih-hsien Ching-tung Ming-ch'un T'u-ti Kai-ko Erh Fen-tou" ["Struggle for the Successful Realization of Land Reform during this Winter and Next Spring"], Ibid., p. 907.

15. Wang Shou-tao, "Hu-nan-sheng Jen-min Cheng-fu I-nien-lai Kung-tso Tung-chieh Yü Chin-hou Kung-tso Jen-wu" ["Summary of the Last Year's Administration and of Future Tasks for the Hunan People's Government], Ibid., p. 896.

16. Ch'en Cheng-jen, "Kuan-yü Chiang-hsi-sheng T'u-ti Kai-ko Wen-t'i Ti Pao-kao" [Report on Land Reform in Kiangsi Province], Ibid., p. 853.

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IV. COLLECTIVIZATION IN CENTRAL-SOUTH CHINA

About the middle of 1951, the Central People's Government of China began to emphasize the fact that land reform was only the first step toward a "socialist economy." The development of "collectivized farming" would be the second stage. The essentials of the collectivization process are mutual-aid teams, agricultural producers' co-operatives, and collective farms. According to Chou En-lai's Report on Government Work, 1954, there were only 18,232 agricultural producers' co-operatives in Central-South China by August of that year, representing about 8 per cent of the country's total of 225,405 units.[14] The total number of producers' co-operatives in China was alleged to have increased to 400,000 in December 1954 and further increased to 650,000 before the autumn plowing in 1955.[15]

Among the Central-South provinces, Honan took the lead in the development of agricultural producers' co-operatives. According to a Communist report in November

14. Survey of China Mainland Press, Hong Kong, U. S. Consulate-General, December 14, 1954, p. 30.

15. Far Eastern Economic Review, Hong Kong, Vol. XVIII, No. 19, May 12, 1955, p. 606. China Daily News, New York, Oct. 27, 1955.

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tion governing inland waterway transportation.[53] These district administrations are under the supervision of the two chief administrations for inland and ocean shipping of the Ministry of Communications in the capital. The original China Merchant Steamship Company of the Nationalist Government was changed to the People's Steamship Company in 1950, and then changed to the Ocean-Shipping Administration in 1951. The former Min-sheng Industrial Corporation, the largest privately-owned shipping company in China, was reorganized into a joint public-private ownership firm in 1952, and its name was changed to the Min-sheng Shipping Corporation.[54] After reorganization, the company made considerable progress in achieving efficiency of operation and in increasing the volume of traffic. New ships totaling about 15,000 tons were built, and the expansion of transport activities ranged from the Yangtze River to the coastal ports of Canton, Chan-chiang, and Hai-k'ou. The volume of traffic showed an increase of 27 per cent. The company showed a profit during 1953, instead of suffering deficit as in pre-Communist days.[55]

In order to transform privately owned water-transportation into state or semi-state capitalism,

53. Ibid., pp. 1-2.

54. Huai Fu, "1953 Nien Chiao-t'ung Yün-shu Shih-yeh Ti Hsin Fa-chan ["The New Developments of Communication and Transportation Enterprises in China, 1953"], The Economic Yearbook, 1954, p. 52.

55. Ibid., p. 34.

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great efforts have been exerted in the Central-South Region. In Kwangtung Province, eleven private shipping companies were consolidated into Lien Hsing Steamship Company, Inc., under public-private ownership.[56] The same tendency was evident in other provinces of Central-South China, but necessary data are not available.

IX. AIR TRANSPORTATION IN CENTRAL-SOUTH CHINA

When the Nationalists were evacuated from China in 1949, the two aviation companies, the China National Aviation Corporation and the Central Aviation Transport Corporation, left no planes on the China Mainland. But in November 1949, because of the sudden defection of the two leaders, Liu and Chen, over a dozen of the passenger planes were flown back to the Mainland from Hong Kong. Some of the employees in Hong Kong returned to China to serve the People's Republic. These employees repaired about sixteen more planes[57] during the period of 1950-51.

In the early part of 1955 there were five civil air lines operated by the People's Aviation Company in the Central-South Region: (1) the Peking-Chengchow-Hankow Line; (2) the Hankow-Hengyang-Canton Line; (3) the Shanghai-Nanking-Hankow Line; (4) the Hankow-Ichang-Chungking Line; (5) the Canton-Nanning-Kunming Line.[58]

56. Asia Foundation Bulletin, July 27, 1955.
57. Far Eastern Economic Review, Hong Kong, Vol. VII, No. 22, Dec. 1, 1949, p. 693.
58. China Weekly, No. 106. Jan. 10, 1955, p. 25.

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Coal production in Kwangsi is sufficient for local consumption, but there is little surplus to be exported to Kwangtung by the inland water transportation route.[71] 438 489

XI. THE DOMESTIC TRADE OF CENTRAL-SOUTH CHINA

"State Socialism" is the guiding element of the Chinese Communist economy. This is especially true in industry and trade. Article 10 of the Constitution states: "The policy of the state towards capitalist industry and commerce is to use, restrict, and transform....The state uses the positive qualities of the capitalist industry and commerce which are beneficial to the national welfare and the people's livelihood, restricts negative qualities.... encourages and guides the transformation of capitalist economy, and step by step replaces capitalist ownership with ownership by the whole people."[72] With Article 10 as a guiding principle, the final goal of the trading machinery of Communist China is a state-owned, co-operative, and state-capitalist economy. During the present stage of transition, there are five separate arrangements current in China's economy. These are the state-owned enterprise, the co-operative, the private corporation, the individual, and the state capitalist. 471 •

71. General Statement on Chinese Mining Industry, No. 5, p. 87; No. 7, pp. 77, pp. 572-75.

72. People's China, No. 13, July 1, 1954, Supplement, p. 6.

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D. State Capitalism

The main forms of state capitalism are as follows: (1) the state designates private merchants as distributors on its behalf, the commodities are sold as property of the state, and the merchants work on a commission basis. (2) Private merchants purchase controlled commodities from state stocks and resell them at fixed retail prices regulated by the state. (3) Joint state-private ownership replaces private capitalist ownership, and the state invests some capital in business under joint management. In Canton up to June 1954 there were 9,700 trading firms, among them those handling grains, edible oil, chemical dyes, metals, medicines, communications, electrical appliances, silk and cotton cloth, cigarettes, wines, coal, and lumber. All of these firms were converted to state capitalism in one of the several arrangements listed above.[84] This transformation was carried out soon after the large-scale "Wu-fan" (Five-Anti) Campaign[85] launched in 1952.

Domestic trade in Central-South China is for the most part under the monopoly of the government. The private sector of trade is decreasing while the state-owned sector, including the co-operatives, increases very rapidly. According to the goal established by the first Five-Year Plan, state-owned

84. Ta-Kung Daily, Tientsin, Oct. 4, 1954.

85. "Wu-fan" was a campaign launched in 1952 immediately after the "San-fan" Campaign to eliminate bribery, evasion of taxes, shoddy work and use of inferior materials on government contracts, stealing of state property, use of confidential economic information from governmental sources for speculation on the market.

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trade will reach 55 per cent, state capitalism 24 per cent, and private trading will be reduced to 21 per cent or less.[86] 471

In order to facilitate the interflow of commodities between rural district and city, the Chinese Communists have held numerous "Native Products Fairs" in big cities since 1951. Nine fairs were held in the Central-South China area during 1951, and the total trade amounted to 2,247.8 billion yuan (US$76.77 million).[87] 443 438 543

During 1952 there were 13 fairs held in different localities throughout Central-South China, as shown in Table 7.

86. Ching-chi Tao-pao [Economic Bulletin], Hong Kong, Ching-chi tao-pao she, No. 26, July 11, 1955, p. 11.

87. Ching-chi Chou-pao [Economic Weekly], Shanghai, No. 21, May 28, 1953, p. 7.

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development of private industry in Central-South China. However, there are special reasons for the backwardness of Kwangtung Province, although it enjoys the advantage of being located along the sea-coast First, the free port of Hong Kong is at the door of Canton, and manufactured goods of any kind and origin are obtainable there. Thousands of travelers daily between Canton and Hong Kong can bring in small quantities of goods as their own possessions, and the long coastline facilitates smuggling. Under these conditions it was difficult for infant industries to survive. Secondly, there was a sharp contrast of political atmosphere between Canton and Hong Kong. Canton, the cradle of revolution, has had incessant political disturbances. In Hong Kong, peace and order reigned and the rights and interest of private enterprise were adequately respected and protected, which helped to attract Chinese investments. Thirdly, excessive taxes imposed by the local government frightened domestic capital away from investing in industry; instead, it was kept in foreign banks in Canton or Hong Kong.

The small number of manufacturers and the larger proportion of small to big factories made it both easier and simpler for the Communists to transform private industrial enterprises into joint state-private concerns in Central-South China than in East China. The government was relatively little concerned about capitalist sabotage, the lack of co-operation of entrepreneurs and technicians, and the need for great amounts of working capital. Moreover, the process could be quickened by the amalgamation of the small factories The rapid progress of transformation was shown by the fact that during July 1954 the proportion of industrial output of private industry in Central-South China was reduced

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to 14.39 per cent, as against 68.48 per cent in Shanghai at about the same period.[3]

In the Wuhan tri-city all enterprises with larger capitalization were transformed by the Communists into joint state-private enterprises during 1954. They were cotton textile firms totaling 163,000 spindles the flour-milling industry, the Nanyang Tobacco Co., the Hankow Water and Power Co., and the Hankow Packing Factory. They were followed by a number of match factories enamel-manufacturing companies cotton-weaving factories, and dyeing establishments. Two paint factories were amalgamated, and three machine shops and five small steamship companies were merged with Ming Sheng Steamship Co., a joint enterprise, during the same period.

In Kwangtung and Hunan provinces, the number of private industrial enterprises which were transformed into joint state-private enterprises was larger than that in Wuhan. By the end of 1954, the number of joint enterprises in Canton had reached 130, including one 20,000-spindle cotton-textile mill in Canton and a modern paper mill in Kongmoon,[4] the two largest enterprises in Kwangtung Province; most of the others were amalgamated into larger units. Private enterprises in Hunan

3. Ch'ang-chiang Jih-pao [Yangtze Daily], Hankow, January 1954.

4. Statistical Report of the Cotton Committee of the Council for United States Aid, p. 25; Nan-fang Jih-pao [South China Daily], Canton, July 27, 1954.

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Province which were made into joint concerns reached 102 during 1954, including two cotton-textile mills totaling 35,000 spindles; amalgamation was carried out in most of these enterprises. 471

The number of private industries in Kiangsi, Honan, and Kwangsi provinces was much smaller than that in Kwangtung and Hunan provinces. The only large enterprises were two cotton-textile mills in Kiangsi totaling 30,000 spindles; these were transformed into joint enterprises. However, the Communists did not lose sight of the many small industries, such as the famous ceramic industry in Ching-te Chen, Kiangsi Province, and the tobacco leaf-curing industry in Hsü Hsien, Honan Province.

Industry in Kwangsi and on Hainan Island had been least developed, and most of it had been owned by the government. Therefore, the Communists found little transformation work to do.

In contrast to its backwardness in modern industry, Central-South China has been rich in native products, and it has been estimated that there are 140 different kinds, including the straw and bush mats and palm leaf fans produced in Kwangtung Province; glasscloth, hand-made paper, and chinaware of Kiangsi Province; wood oil, ramie, bamboo-ware, and silk embroidery of Hunan Province; and herbs, medicines, copperware, and lacquer of Hupeh Province. According to Communist statistics in 1951, 35 per cent of the gross income of agriculture in Central-South China was derived from the production of these commodities.[5] 438 441

5. Wang T'ing-chieh "I-nien-lai Chung-kuo Kuo-ying Mao-i Ti Chü-ta Ch'eng-chiu ["Great Achievements of China's State Enterprises during Past Year"] Ching-chi Tao-pao [Economic Bulletin] , Hong Kong, January 15, 1952.

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This means that a greater number of people were engaged in domestic trade. Consequently, elimination of the merchant class would seem to be more urgent to the Communists than transformation of private industry. 438 441

The Communists made great efforts to force the merchants to transfer their capital into joint state-private industry and to act as agents of the government-trading organizations. They thought this would solve the problem of unemployment and absorb commercial capital into industry. But in practice industry was willing to accept capital but not the personnel, while the merchants insisted on the inseparability of capital and personnel. Therefore, many preferred to sit by idly, spending their capital, and only those who had no capital became agents of the government-trading organizations. 441 471

The transformation of small industries, coupled with amalgamation and the elimination of private trade, affected the life of a large number of people and made the Communist regime in Central-South China an object of distrust. The Cantonese in particular are pugnacious and enterprising people who like wealth, and the Hunanese are noted for their obstinacy and dogged persistence. Many mass killings are reported to have resulted from the people's open defiance of government orders in Kwangtung and Hunan provinces.

The general strategy of using certain local leaders of the business community as a spearhead for government participation in private enterprise,

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by giving them high-sounding positions in government and newspaper commendation, was also used in Central-South China. The more notable appointments follow:

Chou Ts'ang-po, former manager of the Shanghai Commercial and Savings Bank in Hankow and Chairman of the Board of the Hua Chung Chemical Industries was appointed to membership on the First National Committee of the People's Political Consultative Conferece, the Military and Political Committee of Central-South China, and the Hupeh Provincial People's Council.

Ch'en Ching-yü, general manager of the Han-ch'ang Chemical Industries was appointed deputy mayor of Hankow, and was made a member of the Military and Political Committee of Central-South China.

Li Kuo-wei, general manager of the Shen-hsin Hankow Branch Mill and the Fu-hsin Flour Mill, was made a member of the Second National Committee of the People's Political Conference and a member of the Hupeh Provincial People's Council.

Chien Yü-chieh, general manager of the Nanyang Tobacco Company, was a member of the First and Second National Committees of the People's Consultative Conference, the Military and Political Committee of Central-South China, and the Kwangtung Provincial People's Council.

The above examples show the general pattern of socialization which, together with industrial development, is one of the twin objectives of the first Five-Year Plan of Communist China.